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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, SEPTEMBER 18, 2001

APPLICATION OF

BARC ELECTRIC COOPERATIVE

CASE NO. PUE000232

For a revision of retail base
rates, service charges, and
terms and conditions for
electric service

ORDER INVITING RESPONSES TO REPLY

On August 31, 2001, BARC Electric Cooperative ("BARC" or "the Cooperative"), by counsel, filed a Supplemental Motion for Reconsideration of the Final Order of BARC Electric Cooperative ("Motion") with the State Corporation Commission ("Commission") to reconsider the August 14, 2001, Final Order in the captioned matter. In its Motion, BARC alleged that the Commission accepted an increase in the Cooperative's revenue requirement determined by the Commission of \$615,222, that, according to the Cooperative, is higher than the increased revenue level initially requested by BARC.¹ It maintained, among other things, that when using the billing determinants accepted by the

¹ The rates filed with BARC's May 1, 2000, application were designed to recover an increase in the Cooperative's gross annual revenues of \$815,679. Because of a change in Virginia's tax statutes, BARC implemented interim rates on January 1, 2001, that produced an increase in the Cooperative's gross annual revenues of \$610,994, based on the Cooperative's billing determinants.

Commission, the adjusted revenue requirement determined by the Commission, and apportioning the approved rate increase to customer classes in the same relative percentages as originally proposed, the relationship between customer rates classes and the relative revenues recovered from each customer class changed. BARC asserted that it did not believe that it was necessary to reallocate the increase among various classes, creating the need for refunds. BARC contended that if its interim rates were to be made permanent, based on Staff's billing determinants, the Cooperative would experience a revenue shortfall of approximately \$13,328. The Cooperative proposed to recover this shortfall by adding an additional \$0.00035 per kWh to the second energy block of its residential rate for a total charge of \$0.0799 per kWh. BARC requested that the Commission reconsider and amend its Final Order in this proceeding to allow the Cooperative to adjust its residential rates to permit recovery of the increase in revenue requirement authorized by the Commission, and to suspend the deadlines imposed in the Final Order.

On September 4, 2001, the Commission entered an Order that granted reconsideration of the August 14, 2001 Final Order, for the purpose of considering the issues raised by the Cooperative's Motion. In its September 4, 2001 Order, the Commission directed the Cooperative to file with the Clerk of the Commission its analysis showing the rates and impact on

customer classes of rates filed in conformity with the Commission's August 14, 2001 Final Order, as well as the movements to parity achieved for each such rate class, the Times Interest Earned Ratio ("TIER"), and return on rate base for these rates. The Commission also directed BARC to file the rates and schedules indicating the impact on BARC's customer classes of rates using the adjustment of \$0.00035 per kWh discussed in the Cooperative's August 31, 2001 Motion, as well as the movements to parity achieved for each rate class, TIER, and return on rate base provided for each customer class for these rates. The September 4, 2001 Order suspended the filing deadlines set out in the August 14, 2001 Final Order.

On September 7, 2001, BARC filed its Response to the September 4, 2001 Order, together with the certain rates and schedules. Among other things, the Cooperative's Response indicated that the interim rates the Cooperative put into effect on January 1, 2001, were adjusted to reflect a change in Virginia's tax statutes regarding gross receipt taxes. Thus, instead of putting the rates filed with its application designed to produce \$815,679 into effect on an interim basis, subject to refund, on January 1, 2001, the rates the Cooperative placed in effect on an interim basis increased its gross annual revenues by \$610,994.

BARC noted in its Response that it was unable to comply fully with Ordering Paragraphs (2) and (3) of the September 4,

2001 Order, and instead provided substitute schedules.

According to BARC, it would have had to update its Cost of Service Study completely to reflect each of the many adjustments made to the test year, including the adjustments to allocation factors resulting from the Staff's billing determinants. The Cooperative asserts that the results of the adjustments in class revenues now requested by BARC are not sufficiently significant to justify the expense of a complete reconstruction of its Cost of Service Study.

On September 14, 2001, the Staff filed a Reply to BARC's Response ("Reply"). The Staff's Reply included an exhibit setting out the rates that Staff asserts would permit the Cooperative to recover the \$615,222 increase in gross annual revenue requirement authorized by the August 14, 2001, Final Order. Staff explained that the difference in Staff and BARC's cost of service methodologies and billing determinants created the need for the Cooperative to make refunds to certain classes of customers for the period that rates were interim and subject to refund, while increasing rates to some customer classes on a prospective basis.² The Staff urged the Commission to adopt Staff's proposed rates that conform with the August 14, 2001 Final Order. In the alternative, the Staff requested that if

² The rates filed in conformity with the Final Order produce an increase in gross annual revenue that is less (\$615,222) than the increase applied for by the Cooperative in its May 1, 2000, application (\$815,679).

the Commission determined no refunds were necessary, that the Cooperative be required to make its interim rates permanent, without any further adjustment or adders.

NOW UPON CONSIDERATION of the Cooperative's September 7, 2001, Response and the Staff's Reply thereto, the Commission is of the opinion and finds that the parties to this proceeding, i.e., BARC and the Division of Consumer Counsel, Office of the Attorney General ("AG"), should be permitted to file pleadings responsive to the Staff's September 14, 2001 Reply, and that this matter should be continued generally.

Accordingly, IT IS ORDERED THAT:

(1) On or before September 25, 2001, BARC and the AG may each file with the Clerk of the Commission an original and fifteen (15) copies of a pleading responsive to the Staff's September 14, 2001, Reply and shall on or before September 25, 2001, serve a copy of the same upon all other participants in this matter.

(2) This matter shall be continued generally, pending further Order of the Commission.